

Date of Hearing: April 29, 2021

ASSEMBLY COMMITTEE ON BANKING AND FINANCE

Timothy Grayson, Chair

AB 1177 (Santiago) – As Amended April 21, 2021

SUBJECT: California Public Banking Option Act

SUMMARY: Establishes the BankCal Program (BankCal) to provide Californians with zero-fee and zero-penalty transaction accounts and debit card services.

Specifically, **this bill:**

- 1) Establishes the nine-member Public Banking Option Board (Board). The Board's members include the State Treasurer and the commissioner of the Department of Financial Protection and Innovation (DFPI), and will be staffed by employees of the State Treasurer's Office (STO).
- 2) Establishes BankCal, to be administered by the Board, for the purpose of protecting consumers who lack access to traditional banking services from predatory, discriminatory, and costly alternatives by offering access to voluntary, zero-fee, zero-penalty, federally insured transaction account and debit card services at no cost to account holders.
- 3) Requires the Board to design and implement BankCal. As part of this design and implementation, the Board must:
 - a) Appoint an executive director whom the Board may authorize to enter into contracts on behalf of the Board.
 - b) Select a program administrator to take on specified duties and functions. Those duties and functions include creating and managing the internet website, creating and managing a secure web-based portal through which participants can enroll and access and manage accounts, and facilitating transfer of participants' existing accounts into their BankCal account.
 - c) Select a financial services network administrator, whose duties and functions include:
 - i. Contracting and coordinating with financial service vendors who provide participants access to their BankCal account through a major card network and services in partnership with at least one qualifying participating financial institution.
 - ii. Issuing secure debit cards to account holders and building a robust and geographically expansive financial services network of participating ATMs, bank or credit union branches, and other in-network partners through which participants can load or withdraw funds from their BankCal account.
 - iii. Ensuring that all no-fee, no-penalty requirements of the program are met.
 - iv. Coordinating data exchange with the program administrator and implementing all account management elections, such as receipt of direct deposit payments and preauthorized electronic fund transfers to registered payees.

- d) Establish the criteria and terms and conditions for becoming a participating financial institution in the program.
 - e) Ensure that the program administrator and financial services network administrator satisfactorily perform all duties and functions and do not market commercial products to BankCal accountholder absent the Board's authorization.
 - f) Design and establish the process by which a participant may open and access a BankCal account and the process through which a participant may elect to have their paycheck or earnings directly deposited into their BankCal account.
 - g) Study the feasibility of, and design and implement, additional services and benefits that the Board deems beneficial to accountholders such as financial literacy and debt management education, credit reporting services, a rent payment portal, and a consumer lending certification program and referral service.
 - h) Develop and negotiate a fair and equitable program fee and program revenue sharing structure with the program administrator and network administrator.
- 4) Requires the Board to consider and utilize the following parameters in designing BankCal:
- a) Design, establish and operate the BankCal Program or the established arrangements under the BankCal program in a manner that maximizes participation and ease of use for accountholders.
 - b) Structure and design BankCal in a manner that encourages partnership rather than competition with credit unions and other local financial institutions and public banks to the extent financially and administratively feasible and appropriate.
 - c) Not contract with a program administrator or network administrator with an entity that, during the preceding three years, has been found to be in violation two or more times of any applicable law or regulation governing financial institutions or consumer protections.
 - d) Include an In-Home Sportive Services (IHSS) provider in BankCal, if specified conditions are met.
 - e) Determine the necessary costs associated with outreach, customer service, enforcement, staffing, and consultant costs, and all other costs necessary to administer the program.
 - f) Consult with employer representatives to create an administrative structure that facilitates employee participation while addressing employer needs, as specified.
- 5) Grants the Board with specified powers and authorities, including to sue and be sued, make and enter into contracts necessary for the administration of BankCal, and employ staff.
- 6) Establishes the BankCal Fund in the State Treasury and specifies that funding for startup and administrative costs may be appropriated from the General Fund in the annual Budget Act for the first six years of the program or until program revenue is sufficient to sustain program administrative costs, whichever occurs first.

- 7) Requires employers and hiring entities to maintain a payroll direct deposit arrangement that enables voluntary worker participation in the program. Employers must coordinate their payroll process with the program administrator's application program.
- 8) Requires the Board to submit an annual report to the Governor, the Controller, the California State Auditor, and the Legislature with specified information, including the number of accounts opened and closed and accountholder demographics.
- 9) Requires the Board to market the program to the residents of the state to the extent funds are available to do so.
- 10) Authorizes a public bank to participate in the BankCal program as a participating depository institutions.

EXISTING LAW:

- 1) Authorizes the establishment of a public bank by a local agency, subject to approval by DFPI and the Federal Deposit Insurance Corporation (FDIC) (Government Code Section 57700 et seq.).
- 2) Establishes the Bank On California Program, a voluntary initiative that assists Californians in opening a bank or credit union account and saving for the future (Government Code Section 8000 et seq.).

FISCAL EFFECT: Unknown. This bill is keyed fiscal by Legislative Counsel.

COMMENTS:

1) PURPOSE

According to the author:

California's families are suffering financial and emotional hardship now more than ever during COVID-19. On top of this, California families are losing hundreds of millions of dollars in fees a year to payday lenders and check cashing stores that prey on the most vulnerable. We can't create a stable economy when a quarter of Californians are paying up to 10% of their take home pay just to access their own money and pay bills. AB 1177 will allow all Californians access to a no-fee, no-penalty debit card account. With BankCal, more families will be able to keep the money they've earned, put food on the table, and build their savings. Creating a public option for banking and closing the racial wealth gap isn't only a moral imperative, but it also creates greater financial security for all of our communities. This bill is a much-needed step to addressing the needs of the unbanked and underbanked and takes us one step closer to building more equitably after the pandemic.

2) BACKGROUND.

Millions of Americans conduct their day-to-day financial business outside the mainstream banking system. Those without bank accounts are referred to as the "unbanked," and are more likely to use costly alternative financial services such as payday loans, check cashing,

or bill paying services. As supporters of AB 1177 note, these financially vulnerable households face a destructive financial cycle when they default, and they are more likely to be driven into poverty and homelessness.

a) Key characteristics of the unbanked: According to the FDIC, 5.6% of California households were unbanked in 2015-2019.¹ The share of unbanked households varies significantly by socioeconomic status, education levels, and race and ethnicity. Key data points include:

- Unbanked households typically have lower income: In 2015-2019, 23.9% of households with an annual income of less than \$15,000 and 16.2% of households with annual income between \$15,000 and \$30,000 were unbanked. In contrast, just 2.0% of households with incomes between \$50,000 and \$75,000 were unbanked.
- Unbanked households tend to have lower educational attainment level: In the same time period, 26.9% of households with no high school diploma were unbanked, compared to just 1.0% of households with at least one person with a college degree.
- Black and Hispanic households are more likely to be unbanked: In the 2015-2019 time period, 15.2% of Black households in California were unbanked and 14.0% of Hispanic households were unbanked. In contrast, just 2.4% of white households and 1.8% of Asian households were unbanked.

b) Reasons for being unbanked: One of the most common reasons why a household is unbanked is because the household cannot afford mainstream banking products. In 2015-2019, 34.6% of California unbanked households reported the primary reason for not having a banking account was that it did not have enough money to meet minimum balance requirements. Another 9.7% said the primary reason was that bank fees were too high.

In addition to issues around cost, deep distrust of mainstream financial institutions plays a role: 15.1% of unbanked households California did not have a bank account because they did not trust banks with their money.

c) The underbanked: Many households have only a tenuous connection to a bank account and often rely on alternative and costly financial services. These households are typically referred to as “the underbanked,” and the characteristics of the underbanked track closely with those of the unbanked. In 2013-2017 (the most recent years of FDIC data for the underbanked), the share of households that were underbanked included: 20.9% of households with annual income of less than \$15,000, 24.5% of households with no high school diploma, 26.2% of Black households, and 26.5% of Hispanic households. Supporters of this bill combine estimates of the unbanked and underbanked when describing the population that will be served by this bill.

¹ Data available at: <https://www.economicinclusion.gov>

3) EFFORTS TO REACH THE UNBANKED

The persistent lack of participation in traditional banking among these constituencies has triggered a number of advocacy and marketing efforts. These efforts are rooted in the belief that the unbanked face significant, but surmountable, challenges toward financial inclusion and that connecting them to basic banking services is a necessary first step toward upward mobility. Examples include:

- a) “Bank On” Standards: Through its Bank On program, the Cities for Financial Empowerment Fund works with other stakeholders to develop the Bank On National Account Standards. These standards establish “an ambitious, but achievable, baseline for safe, affordable, and appropriate accounts that meet the needs of customers with low incomes, particularly those outside of the financial mainstream.”²

As of March 2021, more than 60 financial institutions with over 28,000 branches across the US offered Bank On-certified products and services. The 2021 Bank On National Account Standards include:

- A checking account (including checkless cashing) or bank-or credit union-offered prepaid card.
- Free access to a debit card network for point of sale and bill payment.
- A \$25 or less minimum opening deposit for a checking account and \$5 or less monthly maintenance fee.
- No overdraft or non-sufficient fund fees and no account activation, closure, or low balance fees.
- Free and unrestricted in-network ATM access and \$2.50 or less out-of-network fees.
- Free cash and checks in-branch and at ATMs.
- Free direct deposit.
- Free bill pay services by financial institution, if available, or at least four free money orders or cashier checks per month.

- b) The “Bank On California” program: The Bank on California program was created by the Governor in 2008 to encourage California’s unbanked and underbanked to take advantage of traditional financial services. The program operated as an umbrella organization for regional Bank On programs and received private sector start-up funding. Following the depletion of that funding, AB 1292 (Dababneh), Chapter 750, Statutes of 2015, created the Bank on California program to be a “voluntary initiative that assists Californians in opening a bank or credit union account and saving for the future.” However, the bill provided little detail about this initiative and it is dormant due to a lack of funding.

- c) FDIC’s #GetBanked Campaign: In response to the COVID-19 pandemic and the need to get economic relief payments into the hands of the most vulnerable, the FDIC launched

² See additional information at <https://joinbankon.org/about/>

the #GetBanked public awareness campaign to persuade unbanked households of the benefits of having a bank account.³

4) THE ROLE OF “FINTECH” IN PROMOTING FINANCIAL INCLUSION

A number of financial technology companies market themselves as providing low-cost banking services that can address the needs of the unbanked and underbanked. These mobile-based banking companies (sometimes referred to as “neo-banks”) typically work in partnership with one or more chartered financial institutions and offer a range of banking products and services, such as free checking accounts and prepaid cards. Fintech companies offering mobile deposit accounts have emerged as possible alternatives for those who cannot access, or do not want to access, mainstream banking services.

Chime is one of the largest and likely the most widely-known of these companies. It offers a free checking account with debit card services, direct deposit, and bill payment functions. The company advertises that it does not require a minimum balance, and there are no monthly or overdraft fees. It provides these services in partnership with two banks: Stride Bank, N.A. and The Bancorp Bank.

Another example is MoCaFi, which is a newer mobile banking startup with the stated goal of helping people obtain low-cost services and helping financially underserved communities gain access to capital. MoCaFi, in partnership with Sunrise Bank, offers a pre-paid debit card account with zero fees and no minimum balance requirements. MoCaFi allows for free direct deposit and free withdrawals from its network of participating ATMs. A recent profile of the company discusses how MoCaFi plans to work in partnership with local governments and organizations to provide a mechanism for delivering financial aid to struggling households.⁴

Like any part of the financial services sector, the devil is in the details when it comes to the actual safety and affordability of these products. Companies vary in their fee structures and some may feed customers to costlier lending products in order to produce revenue. Consumer advocates point to a number of drawbacks for consumers, such as little or spotty access to customer service, limited state consumer protection laws (or preemption of those laws), vulnerability to identity theft and other security breaches, and unequal access for customers with minimal or uneven internet access.⁵ Therefore, policymakers should be cautious about assuming these companies are on track to close the banking gap, though it appears that some mission-driven start-ups are serious about their efforts to give the unbanked and underbanked safe and affordable alternatives.

³ See additional information at <https://www.fdic.gov/getbanked/index.html>

⁴ Jeffrey McKinney, “Black Company Aims to Offer Mobile Banking Services to 100,000 People by Next year,” Black Enterprise, April 26, 2021. Available at <https://www.blackenterprise.com/black-company-aims-to-offer-mobile-banking-services-to-100000-people-by-next-year/>

⁵ For an in-depth discussion of consumer protection issues with these types of products, as well as other fintech banking services, see Lauren Saunders, “Fintech and Consumer Protection,” National Consumer Law Center, available at <https://www.nclc.org/images/pdf/cons-protection/rpt-fintech-and-consumer-protection-a-snapshot-march2019.pdf>

5) PUBLIC BANKS AND RECENT EVENTS

This bill proposes to reduce the number of unbanked households and provide relief to the underbanked through a state public banking platform. In doing so, it follows a series of state and local efforts to start public banks to address market failures or to direct investments in underserved communities.

A public bank is typically defined as a nationally- or state-chartered depository institution owned by a government entity, but each public bank's goals and services offered may vary substantially. Under one public bank model, the public bank partners with private or nonprofit sector institutions such as banks or credit unions to leverage state deposits to support projects or communities underserved by the mainstream financial services sector.

Today, the Bank of North Dakota (BND) is the only public bank operating at scale in the United States. The BND operates as the state government's exclusive depository institution, and the BND partners with local banks and credit unions to support lending in certain areas, such as mortgages and small business lending.

On the heels of Great Recession, there has been a renewed interest in public banking. This interest sparked legislation and feasibility studies in state and local governments around the United States.⁶ While these efforts did not lead the operation of a public bank in California, they nevertheless laid the foundation for future advocacy and public interest.

In 2019, California passed legislation to allow local public banks to operate. AB 857 (Chiu), Chapter 442, Statutes of 2019, created a process through which a local agency may apply for a public bank license from DFPI. The local agency must meet the same requirements and approval criteria as private sector applicants (including possession of FDIC insurance). A local agency must also first conduct a feasibility study to assess the viability of a proposed public bank before it can submit an application to organize and establish the bank.

In 2020, AB 310 (Santiago) proposed creating a depository bank within the California Infrastructure and Economic Development Bank (I-Bank) to conduct certain activities and to study providing additional products such as "baby bonds" and low-to-no cost banking and payment services for the unbanked and underbanked communities. AB 310 died in the Senate Governance and Finance Committee.

6) THE PROPOSED BANKCAL PROGRAM

This bill proposes a state program run through the STO that connects California participants to a suite of no-cost banking services. Supporters draw a direct comparison to the California Retirement Savings Program (CalSavers), which allows employees to contribute to a retirement savings account through a program run by the STO in partnership with a private sector program administrator and investment manager. However, while there are some

⁶AB 750 (Hueso) of the 2011-12 Legislative Session, would have created a task force to study the feasibility of a public bank at the state level. That bill was vetoed by the governor. AB 2500 (Hueso), also in the 2011-12 Legislative Session, was never heard in policy committee at the request of the author.

similarities to the CalSavers program, BankCal is more complicated and its scope is not yet fully known. Key components of BankCal include:

- The Public Banking Option Board: The nine-member board will consist of the Treasurer, the Commissioner of DFPI, an individual with banking expertise, an individual with expertise in economic and racial justice and cultural competence, an employee representative, a small business representative, an advocate for a mission-aligned banking institution, a public banking advocate, and a consumer representative.
- The program administrator: The program administrator is one of two key contracted roles that help manage the BankCal program. The program administrator's duties include developing the website through which account holders can enroll and pay their bills, and working with other stakeholders and government entities to coordinate government benefit payments.
- The financial services network administrator: The network administrator is the second of the key entities with whom the Board contracts in order to manage BankCal. The network administrator runs the core banking components of the program by coordinating with participating financial institutions and the debit or credit card networks. The network administrator issues the secure debit card and is in charge of building "a robust and geographically expansive financial services network of participating ATMs, bank or credit union branches, and other in-network partners." The network administrator is also in charge of ensuring that the no-fee, no-penalty requirements of the program are met.
- The BankCal account: The proposed BankCal account is a no-fee, no-penalty transaction account with a debit card. Account holders can add or withdraw funds to or from their account at no cost, and account holders can use an online portal or mobile app to set up direct deposit and automatic bill pay services.
- General Fund support: BankCal is funded with a General Fund appropriation of unknown size. The bill specifies that General Fund support will be available in the first six years of operation or until "program revenue is sufficient to sustain program administrative costs," whichever comes first. Materials provided by the author's office say the program will be funded by swipe fees imposed on merchants associated with the point-of-sale purchases using a BankCal debit card, with the administrators sharing fee revenue to offset operation costs.
- Employer mandate: This bill also requires California employers with five or more employees to facilitate a direct deposit of an employee's paycheck into a BankCal account, upon the employee's request. This requirement is discussed in additional detail in Comment #8.

7) HOW WOULD BANKCAL ACTUALLY WORK?

This bill provides the Board flexibility in how it can implement and manage BankCal. Any number of vendors, contractors, and financial institutions can be involved in the project. As a result, it is difficult to evaluate this proposal because it lacks of clarity about what the final program would ultimately look like. Unlike CalSavers, which offers retirement savings plans managed by a single investment manager, BankCal has the potential to be far more

complicated, with many more entities involved in building the banking infrastructure. Ultimately, what BankCal will be depends on whom the Board contracts with for the program and network administrator roles and those entities' vision for achieving BankCal's goals.

The existing market for mobile financial products provides a glimpse into one possible way to design BankCal. As noted above, a number of fintech companies work in partnership with depository institutions to offer low-cost banking services. In theory, a similar type of company could operate as BankCal's network administrator and enter into partnerships with a small number of financial institutions to provide BankCal's debit account and the associated services. Under this model, only a small number of entities would be involved, and the main focus would be on mobile banking rather than access to retail banking locations.

Another possible path for BankCal is the creation of a robust network of participating financial institutions and in-network partners. Under this model, BankCal acts more as a robust "Bank On" program that connects account holders directly to participating banks through the online portal. These two very different scenarios could conceivably arise from this bill, a reflection of the uncertainty around how BankCal would ultimately work.

8) THE EMPLOYER MANDATE

This bill also requires an employer, upon an employee's request, to pay that employee's wages via direct deposit into their BankCal account. This is a new type of requirement for employers. Under current state law, an employer is not required to pay workers' wages via direct deposit. Though worker participation in direct deposit is voluntary under the bill, an employer would have to maintain a payroll direct deposit arrangement in order to honor the employee's request.

The proposed employer mandate is similar to the CalSavers employer requirement. As part of the CalSavers retirement program, an employer without an employer-sponsored retirement plan must facilitate the opening of a CalSavers retirement account.⁷ The mandate is the primary mechanism to boost participation so that more Californians save for retirement and CalSavers has enough participants to be sustainable.

Similarly, this bill's proposed employer direct deposit requirement will boost participation in BankCal – but by how much is not clear. Since the unbanked, by definition, cannot receive their paychecks via direct deposit, ensuring direct deposit is available to them when they open a BankCal account could make it a more attractive option. However, a vast majority of employers offer direct deposit already: According to an industry-sponsored survey, 82% of US workers in 2016 received their paychecks via direct deposit.⁸ In contrast, around half of US workers did not have access to an employer-based retirement account when CalSavers began. Thus, the environment that necessitated the creation of CalSavers' employer

⁷ Applies to an employer with 5 employees or more <https://employer.calsavers.com/home/employers/program-details.html>

⁸ <https://www.nacha.org/news/new-nacha-survey-shows-adoption-and-awareness-direct-deposit-ach-continues-build>

requirement was much different than the environment in which the direct deposit requirement is being proposed.

Moreover, the bill is silent on employers' specific obligations and how assertive they must be to connect workers to BankCal. AB 1177 requires the Board to consult with employer and employee representatives to create an administrative structure that "facilitates employee participation while addressing employer needs, including, but not limited to, clearly defining employers' duties." Without a clearer idea of employers' responsibilities, it is difficult to know the full impact of this requirement.

9) REMAINING QUESTIONS

The BankCal structure is markedly different than previous efforts to start a state-run public bank. In this proposal, the proposed public entity acts more like a platform that any Californian can use to access a transaction account with limited – but free – functionality. This structure is innovative and worth serious consideration, but there are a number of critical and unanswered questions at this point:

- a) Will BankCal successfully bank the unbanked? AB 1177 establishes BankCal for the purpose of "protecting consumers who lack access to traditional banking services from predatory, discriminatory, and costly alternatives." It is certainly possible that the employer direct deposit requirement, combined with the program's affordability, will help boost unbanked participation in BankCal. However, BankCal may first need to prioritize other cohorts of potential accountholders at the expense of bringing the unbanked into the banking system.

BankCal's challenge in achieving its stated mission comes from its design. The unbanked is the most difficult population to reach, and BankCal must quickly attract a large number of new accountholders in order to become financially sustainable. This means that BankCal may need to first sign up easier-to-reach participants – meaning those who already have bank accounts but see benefit from BankCal's affordability. In fact, the bill explicitly mandates the Board to "maximize participation" and further requires the Board to market the program broadly to all residents of California. This will inevitably result in early adoptions among those who currently have access to other bank services, and may not actually reach the most vulnerable populations the bill intends to help.

Another consideration is whether or not BankCal will stand out enough to attract the unbanked and underbanked. Other companies and nonprofit initiatives like the Bank On program are actively courting the unbanked and underbanked and it is unclear if BankCal is different enough to be a viable alternative.

- b) What is the state's financial commitment? This bill proposes to use General Fund (GF) dollars for initial start-up and administrative costs for the first six years. These provisions can best be thought of as the *proposed* funding mechanism since future budget agreements will determine funding changes to the program. Preliminary estimates indicate that the annual costs of running BankCal will be at least \$5 million annually. Unlike CalSavers, the initial GF funding is not meant to be a challenge grant that is matched by other non-governmental sources, and neither would the GF dollars be provided as a loan.

At some point in the near future, proponents envision the BankCal debit card swipe fees paid by merchants to be the primary revenue stream for the program, with fees shared among the various administrators. Supporters report that their modeling shows that BankCal will become independently financially sustainable with around 100,000 participants.

BankCal's reliance on swipe fees would not be unusual. The mobile banking products mentioned above – Chime and MoCaFi – also rely heavily on swipe fees as a key source of revenue. These revenue streams have been the source of some controversy because fintech companies, by partnering with smaller banks, can avoid the more stringent federal caps on swipe fees (or rather, the “interchange fee” that is a portion of the swipe fee) that apply to much larger financial institutions. As a result, larger banks are seeking changes in federal policy to eliminate the competitive advantage given to these types of arrangements, which could have implications for BankCal's financial sustainability if the program is implemented under a similar model.⁹

Moreover, mobile banking companies that lean heavily on swipe fee revenue still seek other revenue sources. In the case of Chime, the company also collects fees from certain out-of-network ATM withdrawals (on top of what the bank charges) and generates revenue from the net interest margin on its savings account. It is unclear if BankCal would similarly need to locate other revenue sources.

There are a number of other fiscal considerations in addition to the nominal costs to the state of setting up and administering the program. The first consideration is whether BankCal, on a per account basis, is a more efficient use of resources than a targeted program that directly reaches the unbanked and underbanked. The second consideration is about the long-term plan for this program and what it means for state costs. The language of AB 1177 includes a number of references to additional types of products or services that the Board may consider. This provides an early indication that the vision for BankCal is to provide other services, such as a consumer lending referral program and credit reporting services, beyond the scope of the transaction account and debit card. This expansion could lead to additional costs and complications.

- c) Will California banks and credit unions participate? This analysis has not discussed in depth the role of credit unions and banks in the functioning of BankCal. This is partly because their role in BankCal still remains unclear. While BankCal will need at least one financial institution partner in order to provide the transaction account and debit card, their participation beyond that is not strictly necessary.

There are reasons to think that at least some banks will want to participate in BankCal. Some smaller banks could see a Community Reinvestment Act benefit from their participation, and some banks and credit unions may already be offering products close to the BankCal transaction accounts. But how exactly banks and credit unions fit in is up in the air because it seems like the most efficient way to roll out BankCal would be through a mobile-based platform.

⁹ Kevin Wack, “Big banks, Big Tech face off over swipe fees,” American Banker, February 7, 2021, available at <https://www.americanbanker.com/news/big-banks-big-tech-face-off-over-swipe-fees>

Banks and credit unions oppose this bill and cite a number of challenges that prevent their participation. The program's structure – with enrollment facilitated through a state entity – could raise issues about who is fulfilling Know Your Customer (KYC) regulatory obligations or federal obligations around consumer privacy and security.

10) PROPOSED AMENDMENTS

The author and supporters are correct to want to address the long-term and systemic market failure that has excluded hundreds of thousands of Californians, most of whom are people of color, from essential banking services. A key issue before this committee is whether AB 1177 presents an implementable solution, and the questions raised above call for extensive analysis of this proposal.

The committee recommends the following amendments to allow for additional study of BankCal. These amendments are meant to provide greater certainty to the state, industry stakeholders, and potential accountholders that the state is not embarking on an ineffective and costly effort that could further delay real progress in addressing the ongoing challenge of financial exclusion. The recommendations include:

- Require a market analysis before any state dollars are spent. The committee recommends a market analysis to study the feasibility of the BankCal program before any state dollars are spent on implementation. As part of this study, the Board would contract with an independent entity with issue-area expertise to look at a range of factors, including the number of potential participants, the types of banking products that would be offered, and the presence of other competitors offering similar products. The study would also determine whether the program can be self-funding, and upon completion of the report state dollars may only be spent if the board determines the program can be financially self-sufficient. This study of the proposal would also give the Legislature critical information about the program's parameters and the likelihood for success, which can guide future budget discussions.
- Allow for an off-ramp before the network administrator is hired. The network administrator will play a key role in designing and rolling out BankCal. Without a reliable and competent network administrator partner, BankCal will not succeed. Given the importance of this role, the committee recommends an "off-ramp option" for the Board if no viable entity comes forward. This amendment would end the BankCal program if the Board is unable to find a network administrator that meets established criteria after three attempts to do so.

In addition to the above amendments, the committee recommends additional changes to the bill to address concerns around employer requirements and BankCal's possible "mission creep." Specifically, the committee recommends applying the employer direct deposit requirement to employers with more than 25 employees (instead of 5) and deleting provisions requiring the Board to study the feasibility of additional products and services such as a consumer lending referral program.

REGISTERED SUPPORT / OPPOSITION:**Support**

California Public Banking Alliance (Co-Sponsor)	Dreams for Change	Indivisible East Bay
California Reinvestment Coalition (Co-Sponsor)	Duende Consulting	Indivisible Lorin
SEIU California (Co-Sponsor)	EcoChoices	Indivisible Los Angeles
Alliance of Californians for Community Empowerment (ACCE) Action	Ecosocialists	Indivisible OC 46
Action Center on Race and the Economy	El Cerrito Progressives	Indivisible of Sherman Oaks
Active San Gabriel Valley	Feel the Bern Democratic Club, Los Angeles	Indivisible Petaluma
All Rise Alameda	Feel the Bern San Fernando Valley	Indivisible Sacramento
Alliance for a Just Recovery, Sonoma County	Feminists in Action	Indivisible San Bernardino
Asian Pacific Environmental Network	Fight For 15	Indivisible San Diego – Persist
Bay Area-System Change Not Climate Change	Fresno Democratic Party	Indivisible San Francisco
Building the Base Face to Face	Friends Committee on Legislation of California	Indivisible San Jose
California Asset Building Coalition	Friends of the Climate Action Plan	Indivisible Santa Barbara
California Employment Lawyers Association	Friends of the Earth U.S.	Indivisible Sausalito
California Labor Federation, AFL-CIO	Friends of Public Banking	Indivisible Sebastopol
California Progressive Alliance (CPA)	Santa Rosa	Indivisible SF Peninsula and CA-14
Center for Farmworker Families	Green Lining Institute	Indivisible Sonoma County
Climate Protection and Recovery Fund	Green Party Humboldt County	Indivisible South Bay
Cloverdale Indivisible	Green Party of Santa Clara County	Indivisible Stanislaus
Community Financial Resources	Hanmi Bank	Indivisible Ventura
Community RePower Movement Cooperation	Haven Neighborhood Services	Indivisible Windsor
Humboldt	Hillcrest indivisible	Justicia Digna
Consumers for Auto Reliability and Safety	Hillcrest Indivisible	LA Forward
Consumers for Auto Reliability and Safety	HOPE for All: Helping Others Prosper Economically	Lassen County Democratic Central Committee
Contra Costa Move On	Hull Professionals	Lawyers' Committee for Civil Rights of San Francisco Bay Area
Courage California	Independent Indivisible (INDI Squared)	LITE Initiatives
Democratic Socialists of America, San Francisco	Indivisible 30/Keep Sherman Accountable	Livermore Indivisible
	Indivisible 36	Los Angeles Alliance for a New Economy (LAANE)
	Indivisible 39	Los Angeles County Democratic Party
	Indivisible 41	Malonga Arts Residents Association
	Indivisible 43	March and Rally Los Angeles
	Indivisible Auburn	Marin Sunshine Realty
	Indivisible Beach Cities	McGee-Spaulding Neighbors in Action
	Indivisible CA -7	Media Alliance
	Indivisible California Green Team	Mendocino County Public Banking Coalition
	Indivisible California: StateStrong	Mill Valley Community Action Network

Mobility Capital Finance, Inc. (MoCaFi)
 Mothers Out Front
 Mount Diablo Education Association
 Mountain Progressives
 National Domestic Workers Alliance
 NextGen California
 North Bay Jobs with Justice
 Orchard City Indivisible
 Orinda Progressive Action Alliance
 Our Revolution Long Beach
 Partnership for Working Families
 Peace and Justice Center of Sonoma County
 Progress Noe Valley
 Progressive Asian Network for Action (PANA)
 Prosperity Now
 Public Bank Long Beach
 Public Bank Los Angeles (PBLA)
 Public Bank Pomona Valley
 Public Counsel
 Public Banking Institute
 Public Law Center
 Ready to Help LA
 Renaissance
 Entrepreneurship Center
 River Watch

Romero Institute
 Rose Foundation for Communities and the Environment
 San Diego County Democratic Party
 San Francisco Berniecrats
 San Francisco Public Bank Coalition
 San Jose Nikkei Resisters
 Sanctuary Santa Cruz
 Santa Cruz Climate Action Network
 Santa Cruz Indivisible
 SaverLife
 SEIU International
 SFV Indivisible
 Silicon Valley Rising Action
 Social Eco Education
 Sonoma County Climate Activist Network (SoCoCAN)
 Sonoma County Climate Mobilization
 Sonoma County Pachamama Alliance
 South Bay Progressive Alliance
 South Sacramento Seniors for Systemic Equality
 Southern Poverty Law Center
 Strategic Actions for a Just Economy

Strike Debt Bay Area
 Tehama Indivisible
 Thai Community Development Center
 The Climate Center
 The Cobb Institute
 Together We Will Contra Costa
 Together We Will/Indivisible – Los Gatos
 United Farm Workers
 United Food and Commercial Workers Western States Council
 UXO Architects
 Vallejo-Benicia Indivisible
 Venice Resistance
 We The People SD
 Wild Solar
 Wilshire Center Koreatown
 Neighborhood Council
 Women For: Orange County
 Women’s Alliance Los Angeles
 Working Group for Emergency Climate Action Now
 Working Partnerships USA
 Yolo Indivisible
 350 Butte County
 350 Marin
 350 Silicon Valley
 350 Sonoma

Oppose

American Bankers Association
 Bay Area Council
 California Bankers Association
 California Chamber of Commerce

California Community Banking Network
 California Credit Union League
 California State Controller
 Card Coalition
 Credit Union National

Association
 Independent Community Bankers of America
 National Federation of Independent Business
 Silicon Valley Leadership Group